

SUBJECT: Consideration to Determine Non-Compliance with the USFR for Peach Springs Unified School District No. 8.

SUBMITTED BY: Chad Sampson, Assistant Attorney General

BACKGROUND INFORMATION:

Under Arizona law, Peach Springs Unified School District No. 8 (the "District") must spend and account for public funds in accordance with the Uniform System of Financial Records ("USFR"). Jointly developed by the Arizona Department of Education and the Arizona Auditor General's Office ("Auditor General"), the USFR incorporates finance-related laws and regulations as well as generally accepted accounting principles applicable to school districts. The Auditor General is responsible for assessing whether school districts are in compliance with the USFR, and notifying the Department of Education when they are not. *A.R.S. §15-271*. Based on the Auditor General's reports, the State Board of Education may direct the Superintendent of Public Instruction to withhold any portion of state funds from school districts that are out of compliance with the USFR. *A.R.S. §15-272*. State funds will be withheld until the Auditor General reports that the district has come into compliance with the USFR. *A.R.S. §15-272*.

Based on a May 15, 2007 apportionment, the District receives \$1,021,296.76 in annual State Aid, which is appropriated in monthly installments of approximately \$85,074.02. Ten percent of the District's monthly appropriation is \$8,507.40.

The Auditor General reports that the District is out of compliance with the USFR as of March 27, 2007 for the following reasons:

The District failed to ensure the accuracy and retention of student attendance records.

The District failed to follow competitive purchasing requirements.

The District needs to improve its controls over expenditure processing.

BOARD ACTION REQUESTED: [] INFORMATION [X] ACTION DESCRIBED BELOW:

The Board has the following options:

1. Move to determine that the District is out of compliance with the USFR based on the reports of the Auditor General and move to direct the Superintendent of Public Instruction to withhold 10% of state funds from the District until the Auditor General reports that the District is in compliance with the USFR;
2. Move to determine that the District is out of compliance with the USFR based on the report of the Auditor General and move to direct the Superintendent of Public Instruction to withhold some other portion of state funds from the District until the Auditor General reports that the District is in compliance with the USFR; or
3. Refuse to take action against the District at this time.